GOVERNMENT OF INDIA
URBAN EMPLOYMENT AND POVERTY ALLEVIATION
LOK SABHA

UNSTARRED QUESTION NO:3898
ANSWERED ON:19.04.2005
INVESTMENT IN HOUSING AND REAL- ESTATE SECTORS
Rao Shri Sambasiva Rayapati

Will the Minister of URBAN EMPLOYMENT AND POVERTY ALLEVIATION be pleased to state:

(a) whether the Federation of Indian Chambers of Commerce and Industry has recommended to the Government measures to facilitate investment for the housing and real-estate sectors;

(b) if so, whether it has also sought support to specialised and organized professionalized and organized professional bodies and funds such as Real Estate Investment Trusts, Real Estate Mutual Funds on the lines being operated in the US and other developing countries;

(c) if so, the details thereof;

(d) whether the Chamber has also pointed out that dynamic developers and foreign and domestic investors can earn handsome returns on their investment to boost real-estate development and housing in terms of the National Housing and Habitat Policy;

(e) if so, whether the Government has considered their suggestions; and

(f) if so, the extent to which they have agreed and the steps being taken to implement them?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF URBAN EMPLOYMENT & POVERTY ALLEVIATION (KUMARI SELJA)

(a): Yes, Sir. These recommendations inter-alia include the following:-

(i) FDI should be allowed upto 49%.

(ii) The existing norms should be reduced from 100 acres to 25-50 acres.

(iii) Township should be approved as per the State Government development norms.

(iv) The scope of FDI should not be restricted to Integrated Townships only and should also be allowed in case of residential/commercial/retail/multiplexes/convention centres/shopping malls.

(v) The minimum paid up capital requirement of the joint holding company should be US $ 5 million.

(vi) Repatriation of dividends should not be allowed during the construction period.

(b)&(c): FICCI has reported that they have been advocating the setting up of Real Estate Investment Trust (REIT).

(d): There is nothing on record as such.

(e)&(f): Ministry of Commerce & Industry (DIPP) which is the nodal Ministry to formulate the guidelines on Foreign Direct Investment (FDI) including those relating to real estate, integrated township, Building Material etc. have revised the guidelines based on suggestions received from various Stakeholders vide Press Note No. 2(2005) (Annexure-I).

ANNEXURE-I

ANNEXURE REFERRED TO IN REPLY TO PARTS (e)&(f) OF LOK SABHA USQ.NO. 3898 FOR 19.4.2005.

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
SIA (FC Division)

Press Note 2 (2005)

Sub.: Foreign Direct Investment (FDI) in townships, housing, built-up infrastructure and construction development projects.

With a view to catalysing investment in townships, housing, built-up infrastructure and construction-development projects as an instrument to generate economic activity, create new employment opportunities and add to the available housing stock and built-up infrastructure, the Government has decided to allow FDI up to 100% under the automatic route in townships, housing, built-up infrastructure and construction development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to the following guidelines:

a. Minimum area to be developed under each project would be as under:

i. In case of development of serviced housing plots, a Minimum land area of 10 hectares

ii In case of construction-development projects, a minimum built-up area of 50,000 sq.mts.

iii. In case of a combination project, any one of the above two conditions would suffice

b. The investment would further be subject to the following conditions:

i. Minimum capitalization of US$10 million for wholly owned subsidiaries and US $5 million for joint ventures with Indian partners. The funds would have to be brought in within six months of commencement of business of the Company.

ii. Original investment cannot be repatriated before a period of three years from completion of minimum capitalisation. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPB.

c. At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor would not be permitted to sell undeveloped plots.

For the purpose of these guidelines, `undevelped plots` will mean where roads, water supply, street lighting, drainage, sewerage, and other conveniences, as applicable under prescribed regulations, have not been made available. It will be necessary that the investor provides this infrastructure and obtains the completion certificate from the concerned local body/service agency before he would be allowed to dispose of serviced housing plots.

d. The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, bye-laws, rules and other regulations of the State Government/Municipal/Local Body concerned.

e. The investor shall be responsible for obtaining all necessary approvals, including those of the building/layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-laws/regulations of the State Government/Municipal/Local Body concerned.

f. The State Government/Municipal/Local Body concerned, which approves the building/development plans, would monitor compliance of the above conditions by the developer.

2. Para (iv) of Press Note 4 (2001 Series), issued by the Government on 21.5.2001, and Press Note 3 (2002 Series), issued on 4.1.2002, stand superseded.

sd/-
<(Umesh Kumar)
Joint Secretary to the Government of India

No. 5(6)/2000-FC dated 3rd March 2005

Copy forwarded to Press Information Officer, Press Information Bureau, for giving wide publicity to the above Press Note.